

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 PA-01 PRS-01 AGR-05 /060 W

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R 261100Z AUG 75

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 7892

INFO AMEMBASSY NEW DELHI

AMCONSUL CALCUTTA

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C O R R E C T E D C O P Y (MRN SHOULD READ 4240 VICE 4248)

EO 11652: N/A

TAGS: EFIN, PINT, BG

BANGLADESH: POST-COUP FALL IN RETAIL PRICES

1. RETAIL PRICES HAVE FALLEN IN DACCA, AND REPORTEDLY ELSEWHERE IN BANGLADESH SINCE THE AUGUST 15 COUP. THE GOVERNMENT HAS PUBLISHED THE IMPROVED PRICES POSITION AND REGULARLY REASSURES NEWSPAPERS READERS OF PLENTIFUL SUPPLIES OF FOODGRAINS AND OTHER CONSUMPTION ITEMS AS PART OF ITS PICTURE OF A BANGLADESH RETURNING TO NORMALCY.

2. RETAIL PRICES OF SEVERAL BASIC CONSUMER GOODS HAVE FALLEN IN DACCA SINCE THE COUP, AS FOLLOWING EXAMPLES INDICATE (PRICE PER SEER, I.E., ABOUT ONE KILO):

COMMODITY	TAKA PRICE	
	AUGUST 13	AUGUST 25
COARSE RICE	4.75	4.00
MUSTARD OIL	28.00	26.00
SUGAR	14.00	13.00

3. SOME, BUT NOT ALL THE CREDIT GOES TO THE GOVERNMENT. FACTORS

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AFFECTING THE RETAIL PRICE DECLINE INCLUDE:

A. LONGER-TERM TREND: BDG CREDIT RESTRAINT, PLUS DEMONETIZATION HAVE LED TO SUSTAINED PRICE DECLINE SINCE EARLY 1975;

B. SEASONAL FACTORS: SUMMER RICE CROP (AUS CROP) IS HARVESTED FROM LATE JULY THROUGH MID-SEPTEMBER AND THIS HAS INCREASED THE RICE SUPPLY IN THE MARKET;

C. TWO POST-COUP FACTORS: FIRST, CLOSING OF THE BORDER WITH INDIA; SECOND, TRADERS' FEAR OF BDG ACTION UNDER MARTIAL LAW ORDER.

4. OF THE TWO POST-COUP FACTORS, TRADERS' CONCERNS IS THE MORE POWERFUL. THE AUGUST 15 ASSASSINATIONS, PROCLAMATION OF MARTIAL LAW AND AUGUST 24 ARRESTS (DACCA 4213) HAVE APPARENTLY PERSUADED NUMEROUS TRADERS TO PLAY IT SAFE WITH NEW GOVERNMENT AT LEAST FOR THE TIME BEING, WITH A CONSEQUENT REDUCTION IN HOARDING AND PRICE GOUGING. BOTH INDIA AND BANGLADESH HAVE BEEN KEEPING A TIGHTER THAN USUAL WATCH ON THE BORDER (SEE, FOR EXAMPLE, CALCUTTA 1995). HOWEVER TO ASSESS THE IMPACT OF THIS FACTOR ON PRICES REQUIRES A JUDGEMENT CONCERNING THE PRE-COUP LEVEL OF SMUGGLING. CERTAINLY, SOME MAJOR SMUGGLERS, HAVE BEEN DEPRIVED OF POLITICAL SUPPORT, ARE DEAD (E.G. THE SHEIK'S BROTHER IN KHULNA) OR IN HIDING.

5. THE FACT THAT FOOD GRAIN IMPORTS CONTINUED UNINTERRUPTED FOLLOWING THE COUP (CHITTAGONG PORT RESUMED OPERATIONS AUGUST 17) REMOVED A POTENTIALLY ADVERSE FACTOR.

6. COMMENT: THE CONTINUING EFFECT OF THE POST-COUP FACTORS DEPEND ON WHETHER THE NEW GOVERNMENT IN FACT CRACKS DOWN SUCCESSFULLY ON COMMERCIAL MALPRACTICES AND SMUGGLING, OR WHETHER IT MERELY ALLOWS A NEW GROUP OF THE POLITICALLY WELL-CONNECTED TO REPLACE THE FORMER ONE.  
BOSTER

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